

**CALGARY  
ASSESSMENT REVIEW BOARD  
DECISION WITH REASONS**

In the matter of the complaint against the Property assessment as provided by the *Municipal Government Act*, Chapter M-26.1, Section 460(4).

**between:**

**Altus Group Ltd, *COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

**J. Noonan, *PRESIDING OFFICER***

**J. O'Hearn, *MEMBER***

**B. Jerchel, *MEMBER***

This is a complaint to the Calgary Assessment Review Board in respect of Property assessment prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>019121805</b>
<b>LOCATION ADDRESS:</b>	<b>5505 Shaganappi Trail NW</b>
<b>HEARING NUMBER:</b>	<b>57617</b>
<b>ASSESSMENT:</b>	<b>\$13,950,000</b>

This complaint was heard on the 10<sup>th</sup> day of June, 2010 at the office of the Assessment Review Board located at the 4<sup>th</sup> Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- K. Fong, *Agent*, Altus Group

Appeared on behalf of the Respondent:

- D. Zhao, B. Thompson, S. Turner, *Assessors*, *The City of Calgary*

**Property Description:**

The subject is located at 5505 Shaganappi Trail in NW, Calgary. It is a neighbourhood shopping centre built in 1973 with the 2001 addition of a free-standing liquor store and 2005 gas bar-carwash. The assessed value is \$13,950,000 but the assessor advised that after corrections to the gas bar and liquor store sizes, the assessment should properly be \$13,490,000.

**Issues:**

1. Should the liquor store space be reduced from \$20 to \$19 in consideration of comparables?
2. Should the vacancy allowances for grocery anchor and CRU spaces be increased from 1% and 2% to 4% and 11%?
3. Should the bank space be reduced from \$28 to \$25 in consideration of comparables and the subject lease?

**Board's Findings in Respect of Each Matter or Issue:**

**Issue 1: Liquor store**

In the course of the hearing, the assessor determined the proper size of the liquor store was in excess of 6000 sq.ft., and so ought to attract a lease rate of \$18. As this amount was less than the Complainant's request, this issue was resolved.

**Issue 2: Vacancy Allowance**

The Complainant urged the CARB to view the vacancy allowance not in the isolation of a single year, but rather from the perspective of a long term investor who would anticipate vacancy over a much longer time frame. Over 10 years, the City's 1% anchor space allowance would anticipate vacancy of only 5 or 6 weeks, an unrealistically low number. Rather, a 4% allowance ought to be applied, in line with the allowance granted to numerous examples of big box free-standing stores, many of which functioned in concert with other developments in a manner similar to a neighbourhood shopping centre. For CRU space an allowance of 11% was advanced, supported by a full page vacancy study of similar developments but excluding anchor spaces. This study had been compiled by Altus over the previous year from rent roll information

supplied by their clients, and produced a weighted average of 10.5% vacancy for CRU space. While a 5-6% vacancy might be expected over the longer term, if one averaged this 11% requested allowance with the previous 2 years allowances, a conservative number was still achieved.

The Respondent noted that in the Calgary market, shopping centre anchor grocery space was frequently owner-occupied, but where leases were in place their terms were for 20 years or more, and thus a 1% vacancy allowance for this type of space was justified. Big box stores are a different class of property. With regard to CRU vacancy, the City annually collects ARFIs which are returned from property owners over a short time period, and thus give a true snapshot of vacancy as opposed to all the vacancies that occurred over the year, no matter their duration. As well, the City found errors in the Complainant's study, such as vacancy that only occurred in 2010 – thus having no bearing on July 1, 2009 typicals – or instances where vacancy was owner-initiated to accommodate construction/renovation.

The Respondent presented a cap rate study of four neighbourhood/community shopping centres, three sales in 2009 and one in 2008. Using City typicals for rent rates, vacancy, operating shortfalls, etc. from those respective years, a median cap rate of 7¼% was calculated, as compared to an 8% cap rate used for July 1, 2009 assessed value. If one were to substitute the Complainant's vacancy allowances of 4% and 11% in this study, the median cap rate would drop to 6.39% or an implied 7% for assessment purposes.

The CARB found insufficient evidence from either party to justify a change to the 1% grocery anchor vacancy allowance. The Board also found the City's method of data collection superior to that advanced by the Complainant, giving a more reliable estimate of vacancy for CRU space, and so found insufficient reason to accept the requested 11% vacancy allowance for this space type.

### Issue 3: Bank rate

The Complainant presented a list of nineteen bank lease comparables from across the city showing a median of \$25 from a range of \$19.50 to \$33.50 and including the subject's \$26 lease. It was advanced that the Altus study showed that older spaces rented for less than \$29 and newer, usually free-standing spaces for greater than \$29.

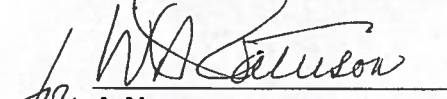
The Respondent presented a list of ten NE and NW equity comparables in neighbourhood or community shopping centres, all assessed at \$28 lease rate per sq. ft., and the lengthier list of lease comparables showing a median of \$28.58. The subject was included in both studies and it was again noted that the City's leases were more recent and indicative of current market than those of the Complainant. The Respondent found no evidence to support a lease differential between free-standing and attached bank spaces.

The CARB found the subject's lease of \$26 to be close to the \$28 assessed rate applied here and to other neighbourhood centre banks. The CARB is satisfied that equity has been achieved and while there may develop in future a clearer distinction in the marketplace between older, attached bank spaces and newer free-standing structures, the Board is not convinced that a fair assessment has not also been rendered.

**Board Decisions on the Issues:**

The Board sets the assessment at the corrected amount of \$13,490,000.

DATED AT THE CITY OF CALGARY THIS 25 DAY OF June 2010.

  
J. Noonan  
Presiding Officer

*An appeal may be made to the Court of Queen's Bench on a question of law or jurisdiction with respect to a decision of an assessment review board.*

*Any of the following may appeal the decision of an assessment review board:*

- (a) the complainant;*
- (b) an assessed person, other than the complainant, who is affected by the decision;*
- (c) the municipality, if the decision being appealed relates to property that is within the boundaries of that municipality;*
- (d) the assessor for a municipality referred to in clause (c).*

*An application for leave to appeal must be filed with the Court of Queen's Bench within 30 days after the persons notified of the hearing receive the decision, and notice of the application for leave to appeal must be given to*

- (a) the assessment review board, and*
- (b) any other persons as the judge directs.*